

**PATENT REFORM AT THE CROSSROADS: EXPERIENCE IN THE
FAR EAST WITH OPPOSITIONS SUGGESTS AN ALTERNATIVE
APPROACH FOR THE UNITED STATES**

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On September 1, 2005, Representative Lamar Smith introduced a "Coalition Print" version of a patent reform bill (Substitute bill H.R. 2795) into Congress. That bill included a post-grant opposition procedure not later than nine months after grant. On April 5, 2006, Representative Howard Berman introduced the "Patents Depend on Quality Act of 2006" (H.R. 5096 - the "PDQ Act") into Congress. The proposed PDQ Act includes a so-called "second window" for bringing an opposition, namely within six months of the alleged infringer's receiving notice of suit.

The concept of a post-grant review procedure has the support of the Director of the United States Patent and Trademark Office, Jon Dudas, and warrants consideration by the patent community at large. The authors submit that the form and substance of any such post-grant review procedure are critical elements to its success. The authors submit that the review procedure should not take the form of an "opposition" protocol, but rather should be woven into the existing inter partes reexamination procedure.

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The authors recommend an alternative administrative patent invalidation system that differs from those suggested in the H.R. 2795 and H.R. 5096 bills. As backdrop for the authors' proposal, the strengths and weaknesses of the existing inter partes and ex parte reexamination procedures for challenging a patent are explored. International systems for challenging patents in Europe, Japan, China, and Taiwan are also benchmarked. The European post-grant opposition, unlike the proposed United States system, does not include estoppel with respect to subsequent litigation, and thus does not preclude raising in the litigation the same issues of law and fact argued in an opposition proceeding.

Due to negative experiences, Japan and China have abolished their time-limited post-grant opposition systems in favor of a single non-time limited patent invalidation system. Other potential problematic aspects associated with the proposed United States post-grant system include: the nine-month time limitation for filing an opposition request, the lack of qualified PTO resources to adequately support a completely new system, overlap and redundancy with existing reexamination systems, and a lack of consistency with the invalidation system of one of our tripartite partners, namely Japan.

To resolve these issues, the authors propose a non-time limited invalidation system that is based off of the existing inter partes reexamination framework. The proposed system is a 'hybrid'—combining many of the beneficial aspects of the proposed United States opposition system with the existing inter partes reexamination system. The proposed changes to inter partes reexamination include, inter alia, making the system retroactive to patents issued from applications filed prior to November 29, 1999, expanding the grounds to be consistent with statutory patentability requirements, expanding the scope of evidence considered, expanding third party involvement via oral hearings and deposition testimony, and modifying the current estoppel provision to include only legal determinations relative to invalidity of issues actually raised in the proceeding. The proposed invalidation system would provide a speedy, simple, low cost, and efficient method of challenging United States patents to increase their quality and certainty while obviating the overlap and redundancy

associated with having both a United States post-grant opposition system and an inter partes reexamination system.

I. INTRODUCTION

“Those who cannot remember the past
are condemned to repeat it.”

—George Santayana (1863–1952)

The United States patent laws help to fuel technological progress by awarding to an inventor a limited monopoly to exclude others from making, using, and selling the invention in exchange for his or her disclosure of the invention to the public. This in turn encourages others to learn from, and improve upon, the inventions of others to further incentivize innovation and patenting activity. The United States Patent and Trademark Office (“PTO”) has come under increasing attack for issuing patents that are allegedly overly broad or simplistic and of questionable validity. This attack implicates a number of constraints imposed upon the PTO due to resource limitations that prohibit the accurate determination of the scope of information in the public domain that is usable as prior art. For example, PTO examiners are faced with time limitations in searching for prior art and examining a patent application against it. An examiner typically spends from about eight to thirty-two hours searching and examining a patent application during the average two to three year prosecution period.³ In contrast, patent attorneys, search experts and technical experts seeking to invalidate a patent may spend hundreds, or even thousands, of hours searching for and reviewing prior art to uncover and synthesize invalidity arguments.⁴

The number of United States patent applications filed and patents granted continue to increase without a proportional

³ Jay P. Kesan, *Carrots and Sticks to Create a Better Patent System*, 17 BERKELEY TECH. L.J. 763, 765-6 (2002).

⁴ Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 NW. U.L. REV. 1495, 1502 (2001).

increase in the number of PTO examiners.⁵ Hence, the PTO is significantly short staffed in terms of examiners.⁶ These factors tend to negatively impact the quantity and quality of prior art that can be identified and applied to a patent application. There are also other sources of activity, such as on-sale bar and public use more than one-year prior to filing a patent application, for which an examiner cannot search, but nonetheless would invalidate an issued United States patent.⁷ In addition, there are certain more recently developed technologies, such as computer software and business methods, where identifying the relevant prior art is often difficult with current computerized search tools.⁸

According to PTO data, approximately sixty to sixty-five percent of all United States patent applications result in issued patents.⁹ One statistical study revealed that, of patents that are subsequently litigated, at least forty six percent of United States patents are invalidated in litigation.¹⁰

To compensate for these imperfections in the United States patent examination, systems are necessary to remedy issues associated with patents of questionable validity. Some of these systems are already in place, such as *ex parte* reexamination¹¹ and *inter partes* reexamination¹² systems. For a variety of reasons, these reexamination systems have not been utilized to the extent hoped.

⁵ Gerald J. Mossinghoff & Vivian S. Kuo, *Post-Grant Review Of Patents: Enhancing The Quality Of The Fuel Of Interest*, 85 J. PAT. & TRADEMARK OFF. SOC'Y 231, 231 (2003). In 1981, there were 114,710 patent applications filed and 71,010 United States patents granted, whereas in 2001, there were 344,717 patent applications filed and 187,822 United States patents granted, which represents a three-fold increase.

⁶ Joseph N. Hosteny, *What Now? Post-Grant Oppositions and the Proposed Budget*, INTELL. PROP. TODAY, March 2005, at 8 (submitting that the PTO is short by about 900 patent examiners).

⁷ 35 U.S.C. § 102(b) (1952).

⁸ Kesan, *supra* note 3, at 765.

⁹ Lemley, *supra* note 4, at 1498.

¹⁰ John R. Allison and Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q.J. 185, 205-07 (1998).

¹¹ 35 U.S.C. §§ 301-307 (1980).

¹² 35 U.S.C. §§ 311-317 (2000).

An alternative approach to reexamination of an issued patent is the use of a patent opposition system as a basis to challenge a patent application (i.e., "pre-grant opposition") or issued patent (i.e., "post-grant opposition"). Generally, oppositions permit a greater breadth of evidence to be used in challenging a patent, as well as greater involvement of the challenger in the proceeding.

Recently there has been momentum to enact a United States post-grant patent opposition system analogous to the system currently in place in Europe.¹³ The authors submit that such an opposition system is not appropriate for the United States, and if enacted, would further complicate our patent system without accomplishing the stated objectives for implementation. As a better alternative, the authors propose that the current *inter partes* reexamination system be modified to improve its effectiveness and use rate. To this end, the authors propose specific changes to *inter partes* reexamination to incorporate options provided under a non-time limited invalidation proceeding. This would obviate the need for implementing yet another protocol, namely a United States post-grant opposition system.

This article proceeds in five parts. Part II discusses the characteristics and issues associated with the current United States reexamination system. Part III explores oppositions systems in Europe, Japan, China and Taiwan. Parts IV and V overview the proposed legislation for a United States post-grant opposition system and the potential issues associated with such respectively. Finally, Part VI develops an alternative approach consisting of a revamp to the current *inter partes* reexamination system to incorporate the best aspects of an invalidation proceeding as a framework for resolving patent validity disputes within the PTO.

¹³ See H.R. 2795, 109th Cong. (1st Sess. 2005).

II. CURRENT UNITED STATES REEXAMINATION SYSTEM

A. *Ex Parte* Reexamination

1. *History and Purpose*

Ex parte reexamination was enacted in 1980 as a method to challenge and resolve issues of patent validity.¹⁴ The primary objective of the reexamination procedure was to provide an alternative method of resolving patent validity disputes that would be less costly and more expedient than litigation. A secondary objective was to improve the confidence of investors in the patent system. A final objective was to establish a method whereby the courts could defer issues of patent validity to the PTO.¹⁵

2. *Characteristics and Issues*

Anyone, including the patentee, may file a request for reexamination of one or more claims of a patent by providing the PTO with a written request for reexamination accompanied by the fee, the pertinent prior art, and the manner of applying the prior art to the claim(s) at issue.¹⁶ The identity of the real party in interest need not be disclosed, as an attorney representing the real party in interest may file the request.¹⁷ The prior art cited to the PTO by the requester must consist of patents or printed publications.¹⁸ The patent owner will then be notified by the PTO of the request for reexam.¹⁹ The prior art cited to the PTO may include not only new prior art, but also prior art previously considered by the PTO.²⁰ The PTO will determine within three months whether a substantial new question of patentability is raised by the request, and if so, a

¹⁴ 35 U.S.C. §§ 301-305 (1980).

¹⁵ See 145 CONG. REC. H6929, H6944 (daily ed. Aug. 3, 1999).

¹⁶ 35 U.S.C. § 302 (1980).

¹⁷ *Syntex Inc. v. United States Patent and Trademark Office*, 882 F.2d 1570, 1573 (Fed. Cir. 1989).

¹⁸ 35 U.S.C. § 301 (1980).

¹⁹ *Id.*

²⁰ 35 U.S.C. § 303(a) (1980).

reexamination proceeding will be initiated.²¹ The PTO, in making its determination, is not limited to the prior art submitted by the requester, but may also apply other prior art.²² The determination by the PTO is final and nonappealable by both the requester and the patentee.²³

If the PTO issues an order for reexamination, the proceeding is predominantly between the PTO and the patentee, and is conducted with special dispatch.²⁴ The requester's involvement is limited to filing one written reply to a statement submitted by the patentee concerning the patentability issue raised.²⁵ If the patentee decides not to file a statement, the requester may not file any further papers in the proceeding. In fact, few patentees submit statements after receiving the reexamination order because it gives the requester another opportunity to challenge the patent.²⁶ After reexamination is initiated, it will be conducted similarly to the initial examination process between the patentee and the examiner and assigned to the same technology area.²⁷ The claims being reexamined do not maintain the presumption of validity given to issued patents; thus the clear and convincing burden of proof needed to invalidate a claim in litigation does not apply.²⁸ During the reexamination proceeding, the patentee may argue or amend one or more claims to distinguish the prior art cited, although the scope of the claims may not be broadened.²⁹ The PTO, in an effort to improve the quality and timeliness of reexamination, announced on July 29, 2005 that it has established a newly formed central reexamination unit consisting of twenty highly skilled primary examiners who

²¹ 35 U.S.C. §§ 303-304 (1980).

²² 35 U.S.C. § 303(a) (1980).

²³ 35 U.S.C. § 303(c) (1980).

²⁴ 35 U.S.C. § 305 (1980).

²⁵ 35 U.S.C. § 304 (1980).

²⁶ Haitao Sun, *Post-Grant Patent Invalidation In China And In The United States, Europe, And Japan: A Comparative Study*, 15 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 273, 312 (2004).

²⁷ 35 U.S.C. § 305 (1980).

²⁸ Kristen Jakobsen Osenga, *Rethinking Reexamination Reform: Is It Time For Corrective Surgery, Or Is It Time To Amputate?*, 14 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 217, 228 (2003).

²⁹ 35 U.S.C. § 305 (1980).

will concentrate solely on reexamination.³⁰ The PTO also established a target of two years for completing reexamination proceedings.³¹

Once the PTO renders a decision, the patentee may appeal an unfavorable determination to the Board of Patent Appeals and Interferences (“BPAI”) or to the federal courts.³² In contrast, the requester is precluded from any avenue of appeal when an adverse decision is rendered. A third-party requester is not estopped from raising the same issues of law or fact decided in the *ex parte* reexamination proceeding in subsequent litigation.

Based on the limitation of prior art patents and printed publications, the scope of the patentability issues raised in *ex parte* reexamination is typically limited to anticipation rejections under 35 U.S.C. § 102 and obviousness rejections under 35 U.S.C. § 103. The requester may not challenge validity based upon prior use, on-sale bar, ineligible subject matter, inadequate disclosure, inequitable conduct, or prosecution laches. In addition, the lack of requester involvement and the inability of the requester to appeal either a denial of a reexamination request or an adverse decision if reexamination is granted has resulted in *ex parte* reexamination being an underutilized method for challenging patent validity. In contrast, *ex parte* reexamination has evolved as a method available to a patentee to strengthen a patent after becoming aware of some prior art that is pertinent to patentability and was not considered by the PTO during the initial examination process. This use of *ex parte* reexamination by a patentee is a result that was somewhat unforeseen and unintended by the Legislature in 1980.³³

³⁰ See *USPTO Improves Process for Reviewing Patents*, <http://www.uspto.gov/web/offices/com/speeches/05-38.htm> (last visited Apr. 1, 2006).

³¹ *Id.*

³² 35 U.S.C. § 306 (1980).

³³ Qin Shi, *Reexamination, Opposition, Or Litigation? Legislative Efforts To Create A Post-Grant Patent Quality Control System*, 31 AIPLA Q.J. 433, 440 (2003).

3. *Efficiency and Statistics on Use*

The typical time frame for completion of an *ex parte* reexamination proceeding is one to two years.³⁴ In the first twenty years since its inception, there have been on average about 300 *ex parte* reexaminations requests filed per year, which represents about 0.2% of the average 150,000 United States patents issued each year.³⁵ In 2004, there were a total of 441 requests for reexamination filed with thirty-eight percent filed by patent owners, sixty-one percent by third parties, and one percent by the Commissioner.³⁶ The 441 *ex parte* reexamination requests filed represents 0.24% of the 187,270 patents issued in 2004, which is consistent with the historical average. Of the 441 requests, 138 were known to have related litigation.³⁷ In terms of determinations on the requests, ninety-eight were granted and two percent were denied.³⁸ In terms of filings by discipline, thirty percent of the requests were in the chemical arts, and thirty-five percent in each of the electrical arts and mechanical arts.³⁹ From the 2003 PTO Performance and Accountability report, of more than 6700 requests filed from the start of *ex parte* reexamination, twenty-six percent of the total requests had all claims confirmed, ten percent had all claims cancelled, and sixty-four percent had some claim amendments.⁴⁰

³⁴ Sun, *supra* note 26, at 330.

³⁵ Sun, *supra* note 26, at 316.

³⁶ Table 13A: *Ex Parte* Reexamination—FY2000 to FY2004, from USPTO Performance and Accountability Report Fiscal Year 2004, http://www.uspto.gov/web/offices/com/annual/2004/060413a_table13a.html (last visited Apr. 1, 2006).

³⁷ *Id.*

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ See USPTO, 2003 Performance and Accountability Report 119, <http://www.uspto.gov/web/offices/com/annual/2004/index.html> (last visited Apr. 1, 2006).

4. Summary

The *ex parte* reexamination process has failed its primary purpose as a means for challenging patent validity and instead has evolved into a method for patentees to improve the strength of their patents. The underutilization of *ex parte* reexamination to challenge patent validity is primarily based on the fact that the procedure is unduly favorable to the patentee because of the very limited involvement of the third-party requester in the proceeding. However, *ex parte* reexamination also suffers from the limited grounds upon which a patent challenge can be waged, the limited types of evidence that can be utilized to support the challenge, and the inability of a third-party requester to appeal an adverse decision. These issues have limited its use and effectiveness in patent validity disputes. The *ex parte* reexamination procedure does not include an estoppel provision.

B. Inter Partes Reexamination

1. History and Purpose

Due to perceived deficiencies with *ex parte* reexamination, Congress provided another option in the form of an *inter partes* reexamination procedure. The *inter partes* protocol went into effect in November of 1999 as part of the American Inventors Protection Act.⁴¹ The primary objective of the “Optional *Inter Partes* Reexamination Procedure Act” was to reduce costly patent litigation in federal courts by providing an expanded means for third parties to challenge the validity of a patent.⁴² Relative to *ex parte* reexamination, *inter partes* reexamination was designed to increase requester involvement in the proceeding. The *inter partes* procedure is applicable to patent applications filed on or after November 29, 1999.⁴³ *Ex parte* reexamination remained intact, albeit separate from the newly enacted *inter partes* reexamination

⁴¹ Intellectual Property and Communications Omnibus Reform Act of 1999, Pub. L. No. 106-113, 113 Stat. 1501.

⁴² 145 CONG. REC. E1788, E1789-90 (daily ed. Aug. 5, 1999).

⁴³ 35 U.S.C. § 311 (2000).

procedure. Since the new procedure is applied only to patents issuing roughly during or after 2001 (due to the lag period after November 29, 1999) that are attributable to PTO examination, insufficient time has passed to permit a full assessment of the efficiency of this protocol.

2. *Characteristics and Issues*

Many of the provisions of *inter partes* reexamination are similar to *ex parte* reexamination, with the exception of increased third-party requester involvement throughout the proceeding. A third-party requester may file a request for *inter partes* reexamination together with the required fee, the cited prior art (patents and printed publications), and a statement regarding the manner in which the prior art should be applied to the claims of the patent being challenged.⁴⁴ A couple of important distinctions, as compared to *ex parte* reexamination, are that a patentee may not request *inter partes* reexamination, and the request must include the identity of the real party in interest standing behind the request.⁴⁵

Analogous to *ex parte* reexamination, invalidity may only be challenged based on prior art patents and printed publications that can serve as a basis for anticipation rejections under 35 U.S.C. § 102 and/or obviousness rejections under 35 U.S.C. § 103. The third-party requester may not challenge the patent based upon other invalidity or unenforceability defenses, such as non-patentable subject matter, prior use, on-sale bar, inadequate disclosure, inequitable conduct, and prosecution laches. The PTO will notify the patentee of the request.⁴⁶ A determination of whether the request raises a substantial new question of patentability affecting any claim of the patent is to be made no later than three months after the request is filed.⁴⁷ The PTO may consider other patents and publications, as well as those previously considered during the initial prosecution, in determining whether a

⁴⁴ 35 U.S.C. § 311(b) (2000).

⁴⁵ 35 U.S.C. § 311(a)-(b) (2000).

⁴⁶ 35 U.S.C. § 311(c) (2000).

⁴⁷ 35 U.S.C. § 312(a) (2000).

substantial new question of patentability is raised.⁴⁸ The decision of whether a substantial new question of patentability is raised is final and non-appealable.⁴⁹

If the PTO decides to proceed with the *inter partes* reexamination, the proceeding will occur much like the initial examination process. However, it will be treated under special dispatch and under the control of the recently formed central examination unit of the PTO.⁵⁰ Unlike in litigation, no presumption of validity requiring a clear and convincing evidentiary burden attaches. The third-party requester will be copied by the PTO on each communication sent by the PTO to the patentee in the proceeding.⁵¹ An important distinction, as compared to *ex parte* reexamination, is that the third-party requester has an opportunity to file written comments within thirty days after the date of service of the patentee's response to a PTO Office Action. These comments may address not only issues raised by the PTO, but also the rebuttal by the patentee.⁵² On the other hand, if the patentee does not respond to a PTO Office Action, the third-party requester is precluded from offering comment relative to the Office Action. In response to an Office Action, the patentee may add new claims, and amend or cancel existing claims, but is prohibited from enlarging the scope of existing claims or adding new broadening claims.⁵³

Unlike *ex parte* reexamination, the third-party requester has a right of appeal. Accordingly, the requester may appeal an adverse final decision of the PTO to the BPAI, and if still not satisfied by the result, to the CAFC.⁵⁴ The appeal options of the patentee are on equal "footing" with those of the requester, and the same as in *ex parte* reexamination.⁵⁵ The patentee also has the option of obtaining a stay of pending litigation involving a question of

⁴⁸ *Id.*

⁴⁹ 35 U.S.C. § 312(c) (2000).

⁵⁰ 35 U.S.C. § 314(a), (c) (2000).

⁵¹ 35 U.S.C. § 314(b)(1) (2000).

⁵² 35 U.S.C. § 314(b)(2) (2000).

⁵³ 35 U.S.C. § 314(a) (2000).

⁵⁴ 35 U.S.C. § 315(b) (2000).

⁵⁵ 35 U.S.C. § 315(a) (2000).

validity of the same patent after an order for *inter partes* reexamination has been issued by the PTO.⁵⁶

One significant factor that limits the widespread use of *inter partes* reexam is that a third-party requester is estopped from later asserting the invalidity of any claim of a patent that was determined to be valid and patentable based on an issue raised, or that could have been raised in an *inter partes* reexamination proceeding.⁵⁷ The requester is also estopped from challenging any finding of fact in subsequent litigation, unless the fact is later proven to be erroneous based on evidence that was unavailable at the time of the reexamination proceeding.⁵⁸ The estoppel provision, however, does not prohibit a third-party requester from later asserting in litigation the invalidity of a patent based on newly discovered prior art that was unavailable at the time of the *inter partes* reexamination proceeding.⁵⁹

3. Efficiency and Statistics on Use

The PTO has set an objective of less than two-years for completion of *inter partes* reexamination proceedings, although subsequent appeal to the BPAI would likely delay the completion beyond this time frame.⁶⁰ A total of fifty-three requests for *inter partes* reexamination were filed between 2001 and 2004 with a significant upward trend occurring in 2003 and 2004.⁶¹ In 2003, twenty-one requests were filed, and in 2004, twenty-seven requests were filed.⁶² Of the twenty-seven requests filed in 2004, five were

⁵⁶ 35 U.S.C. § 318 (2000).

⁵⁷ 35 U.S.C. § 315(c) (2000).

⁵⁸ See Intellectual Property and Communications Omnibus Reform Act of 1999, Pub. L. No. 106-113, 113 Stat. 1501. This section has not yet been codified.

⁵⁹ 35 U.S.C. § 315(c) (2000).

⁶⁰ USPTO Improves Process for Reviewing Patents, <http://www.uspto.gov/web/offices/com/speeches/05-38.htm> (last visited Apr. 1, 2006).

⁶¹ See Table 13B: *Inter partes* Reexamination - FY2000 to FY2004, from USPTO Performance and Accountability Report Fiscal Year 2004, http://www.uspto.gov/web/offices/com/annual/2004/060413b_table13b.html (last visited Apr. 1, 2006).

⁶² *Id.*

known to have related litigation.⁶³ During 2004, all requests were granted with the breakdown of the requests by discipline being (a) twenty-two percent in the chemical arts, (b) twenty-six percent in the electrical arts, and (c) fifty-two percent in the mechanical arts.⁶⁴ By the middle of 2005, the total number of requests exceeded 100.

One commentator has compiled statistics on the results of *inter partes* proceedings indicating that only two percent of the proceedings had all claims confirmed, fifty-nine percent had all claims rejected or cancelled, and thirty-nine percent had some claim amendments.⁶⁵ This limited data suggests that all claims are rejected in a higher percentage of the proceedings, and correspondingly all claims are confirmed in a smaller percentage of the proceedings than is the case with *ex parte* reexamination.

The same commentator also analyzed the use of *ex parte* reexamination compared to *inter partes* reexamination by third-party requesters for patents filed after November 29, 1999 where both proceedings would be available to a challenger.⁶⁶ Of the forty-seven patents challenged by third parties between May 21, 2004 and October 21, 2004, which were eligible for both *ex parte* and *inter partes* reexamination, seventy percent were filed as *ex parte* proceedings and thirty percent were filed as *inter partes* proceedings.⁶⁷ Hence, even in light of the greater participation afforded the third-party requester in an *inter partes* proceeding compared to an *ex parte* proceeding, *ex parte* reexamination is still more popular. This popularity may change in light of the information regarding success rate that is now available. Nonetheless, the lack of an estoppel provision in *ex parte* reexamination vis-à-vis *inter partes* reexamination may be a significant factor in its greater popularity despite its other disadvantages in terms of limitations on third-party requester involvement and appeal options.

⁶³ *Id.*

⁶⁴ *Id.*

⁶⁵ Joseph D. Cohen, *What's Really Happening in Inter partes Reexamination*, 87 J. PAT. & TRADEMARK OFF. SOC'Y 207, 217 (2005).

⁶⁶ *Id.* at 219.

⁶⁷ *Id.*

Since *inter partes* reexamination is only available to patents issuing after the beginning of 2001, and it is still a relatively new procedure, its use will likely increase over time based on the sheer numbers of total patents issuing.

4. Summary

The *inter partes* reexamination system has substantially improved third-party requester involvement in the proceeding and has put the requester on equal footing with the patentee in regard to the right to appeal the adverse decision. However, the system still suffers from a number of negative attributes that have limited, and likely will continue to limit, its effectiveness and use. Among these are the limited grounds upon which a patent challenge can be waged, as well as the limited types of evidence that can be utilized to support the challenge. Moreover, the breadth of the estoppel provision relating to issues raised or that “could have been raised” has also limited its usage rate due to potential infringers.

In view of the above-mentioned factors limiting the attractiveness of the current *inter partes* reexamination option, the authors turn to reviewing international opposition systems for insight into administrative resolution of validity disputes.

III. INTERNATIONAL SYSTEMS FOR CHALLENGING PATENTS

A. Europe

1. History and Purpose

Under the European Patent Convention (“EPC”), which went into effect on June 1, 1978, a single patent when granted is effective in the various European member states.⁶⁸ There are a total of twenty-eight Contracting States as part of the EPC. A

⁶⁸ See “European Patent Convention,” Oct. 5 1973, 13 I.L.M. 270 [hereinafter EPC], reprinted in INTERNATIONAL TREATIES ON INTELLECTUAL PROPERTY 675 (Marshall A. Leaffer ed., 2d ed. 1997). See also European Patent Office, European Patent Convention, <http://www.european-patent-office.org/legal/epc/e/mal.html#CVN> (last amended Dec. 10, 1998) (last visited Apr. 1, 2006).

post-grant patent opposition system is available under the EPC.⁶⁹ The European Patent Office (“EPO”) Opposition Division conducts opposition proceedings.

2. *Characteristics and Issues*

The European opposition system permits any person, exclusive of the patentee, to file a notice of opposition within nine months of the patent grant in the European Patent Bulletin.⁷⁰ “Any person” refers to not only a natural person, such as an individual, but also to a legal entity, such as a corporation.⁷¹ The real party in interest in challenging a patent need not be revealed. In addition, there are situations such that once an opposition is granted, additional challengers may join the action. For example, even if the nine-month period for filing an opposition has expired, a third party may intervene in an opposition proceeding if he proves that he is the subject of an infringement action of the patent being opposed, or that he has initiated an action for a court ruling of non-infringement of the opposed patent in response to the patentee's request that the alleged infringement ceased.⁷² Procedurally, the third party may file a notice of intervention within specified time limits; which for an infringement action is within three months of the initiation date of the action, and the intervention will be treated as an opposition.⁷³ A national court of an EPC Contracting State may stay a patent infringement suit pending the outcome of an EPO opposition proceeding.

The third-party requester must include with the notice of opposition a statement concerning the grounds on which the opposition is based, as well as an indication of the facts, evidence, and arguments presented in support of these grounds.⁷⁴ The three grounds upon which a European patent may be opposed are lack of patentability, insufficient disclosure, and extension of the scope of

⁶⁹ See EPC, *supra* note 68, at arts. 99-105.

⁷⁰ See EPC, *supra* note 68, at art. 99(1).

⁷¹ See EPC, *supra* note 68, at arts. 58, 99(1).

⁷² See EPC, *supra* note 68, at art. 105(1).

⁷³ See EPC, *supra* note 68, at arts. 105(1), 105(2).

⁷⁴ See EPC, *supra* note 68, at art. 99(1) (stating that a “written reasoned statement” must be filed).

protection beyond what was contained in the originally filed application.⁷⁵ In terms of lack of patentability, sub-categories include that the claimed invention lacks novelty,⁷⁶ lacks inventive step,⁷⁷ lacks industrial application,⁷⁸ relates to non-patentable subject matter,⁷⁹ or exploits that which is contrary to public interest or morality.⁸⁰ Grounds for challenging a patent provided by the EPC, not accorded by United States reexamination procedures, include lack of industrial applicability, ineligible subject matter, inadequate disclosure, and inadmissible amendment.⁸¹

A group of three technical examiners is assigned to each opposition proceeding, at least two of which did not participate in the initial examination of the patent.⁸² One of the three members shall be the Chairman, although the Chairman cannot be an examiner who participated in the initial examination of the European patent.⁸³ One of three members of the examination team may be delegated the primary role in reexamination of the patent; however, oral proceedings shall be heard by the three member team. The Opposition Division also has the ability to enlarge the team by the addition of a legally qualified examiner who did not initially examine the patent.⁸⁴

After the notice of opposition is granted, it is forwarded to the patentee, who may reply with observations or amendments to the specification, claims and drawings within a time frame set by the Opposition Division.⁸⁵ The observations and amendments filed by the patentee are then forwarded by the EPO to all parties to the opposition proceeding, and the challengers are given the opportunity to respond to the observations and amendments of the

⁷⁵ See EPC, *supra* note 68, at art. 100(a), (b), (c).

⁷⁶ See EPC, *supra* note 68, at arts. 99-105.

⁷⁷ See EPC, *supra* note 68, at art. 56.

⁷⁸ See EPC, *supra* note 68, at art. 57.

⁷⁹ See EPC, *supra* note 68, at arts. 52, 53(b).

⁸⁰ See EPC, *supra* note 68, at art. 53(a).

⁸¹ See EPC, *supra* note 68, at arts. 52-57, 100.

⁸² See EPC, *supra* note 68, at art. 19.

⁸³ See EPC, *supra* note 68, at art. 19(2).

⁸⁴ See EPC, *supra* note 68, at art. 19(2).

⁸⁵ See EPC, *supra* note 68, at art. 100, R. 57(1).

patentee.⁸⁶ In addition to the arguments set forth in the notice of opposition and the rebuttal arguments and amendments presented by the patentee, other evidence may also be considered during the proceeding if requested by a party or if the Opposition Division deems it appropriate.⁸⁷ This evidence includes not only patents and printed publications, but also other written documents, and the oral testimony of parties, witnesses, and experts before the Opposition Division.⁸⁸ Oral proceedings are open to the public.⁸⁹

The conduct of the opposition proceeding before the EPO is very flexible in terms of the scheduling of pleadings between the parties, and time limits can be extended for adequate cause.⁹⁰ The parties to the proceeding can also freely file observations or comments on submissions by the opposing party or the Opposition Division.⁹¹ One limitation during oral proceedings is that the parties are not allowed to introduce new facts or evidence, unless the Opposition Division deems such facts or evidence to be critically important.⁹² The burden is on the challenger to prove the grounds of unpatentability by providing evidence that proves the issue on the “overall balance or probabilities.”⁹³ If there is conflicting evidence between the parties, doubts shall be resolved in favor of the patentee for unsubstantiated grounds.⁹⁴

The team of three examiners will then render a decision based on all the evidence of record, which will revoke the patent, reject the opposition, or maintain the patent in force in amended or unamended form.⁹⁵ In the event of a tie vote, the Chairman will render the decisive vote.⁹⁶ The decision of the Opposition Division

⁸⁶ See EPC, *supra* note 68, at R. 57(3).

⁸⁷ See EPC, *supra* note 68, at art. 116(1).

⁸⁸ See EPC, *supra* note 68, at art. 101.

⁸⁹ See EPC, *supra* note 68, at art. 116(4).

⁹⁰ Sun, *supra* note 26, at 306.

⁹¹ Sun, *supra* note 26, at 306.

⁹² Sun, *supra* note 26, at 306.

⁹³ See EPC, *supra* note 68, at art. 102.

⁹⁴ See EPC, *supra* note 68, at art. 106.

⁹⁵ See EPC, *supra* note 68, at art. 102.

⁹⁶ See EPC, *supra* note 68, at art. 19(2).

is published in the European Patent Bulletin upon termination of the proceeding.⁹⁷

Either the patentee or the third-party requester may appeal an adverse decision by the Opposition Division on either factual or legal grounds to the EPO Board of Appeal.⁹⁸ A notice of appeal must be filed within two months of the Opposition Division's decision, and the grounds for the appeal must be filed within four months of the decision.⁹⁹ All parties to the opposition proceeding have a right to participate in the appeal proceeding.¹⁰⁰ The Board of Appeal oversees the appeal proceeding.¹⁰¹ During the appeal proceeding, all parties are invited to file observations on communications submitted by another party or by the Board of Appeal.¹⁰² At the conclusion of the appeal, the Board may either render a decision or remand the case back to the Opposition Division with instructions on the law for further examination.¹⁰³

Another important distinction with United States *inter partes* reexamination is that a third-party requester to an EPO opposition proceeding is not estopped from later asserting in a national court of an EPC Contracting State the invalidity of any claim of a patent that was determined to be valid and patentable based on the same issue raised in the opposition.¹⁰⁴ The requester is also not estopped

⁹⁷ See European Patent Office, Guidelines for Examination in the EPO, pt. D, ch. I, § 8 (June 2005), available at http://www.european-patent-office.org/legal/gui_lines/pdf_2005/part_d_e.pdf (last visited Apr. 1, 2006).

⁹⁸ See EPC, *supra* note 68, at art. 106.

⁹⁹ See EPC, *supra* note 68, at art. 108.

¹⁰⁰ See EPC, *supra* note 68, at art. 107.

¹⁰¹ See EPC, *supra* note 68, at art. 110(1).

¹⁰² See EPC, *supra* note 68, at art. 110(2).

¹⁰³ See EPC, *supra* note 68, at art. 111.

¹⁰⁴ See *Buelhler v. Chronos Richardson Ltd*, England and Wales Court of Appeal Decisions, Cause of Action Estoppel Section, available at <http://www.bailii.org/ew/cases/EWCA/Civ/1998/509.html>. See also *Bundesgerichtshof in Zahnkranzfraser* (Case No X ZR 29/93) (holding that a declaration of nullity (revocation) can be issued by the German Courts on the same grounds that had been raised in an opposition before the European Patent Office). The EPC views opposition and revocation (invalidity) proceedings as different proceedings, although the issues overlap. Article 138 which sets out grounds of revocation states that "a European patent may only be revoked under the law of a contracting state, with effect for its territory on the following

from challenging any finding of fact in subsequent litigation that was raised in the opposition proceeding. Estoppel would only apply if the EPO opposition proceeding revoked the patent altogether.¹⁰⁵ However, if the EPO maintains the patent in force in amended or unamended form as a result of an opposition proceeding, a defendant to a later patent infringement action in a contracting state may again dispute the validity of the patent in the national court.¹⁰⁶ Hence, a third-party requester to an EPO opposition proceeding has nothing to lose, except time and money, in challenging the validity of a European patent. Even if the requester loses the opposition, he or she can litigate the same issues in a national court if sued for infringement.

3. *Efficiency and Statistics on Use*

The time frame to complete an opposition proceeding, including appeals, may be five years or more.¹⁰⁷ The European Patent Office publishes annually statistics on patent oppositions and grants. In 1997, a total of 2518 patents were opposed out of 39,646 patents granted, or 6.4% of the patents granted.¹⁰⁸ In 2000, a total of 1998 patents were opposed out of 27,523 patents granted, or 7.3% of the patents granted.¹⁰⁹ In 2003, a total of 2634 patents were opposed out of 59,992 patents granted, or 4.4% of the patents granted.¹¹⁰ In 2004, a total of 3110 patents were opposed out of

grounds” The Article prevents revocation except on grounds set out in the Article, but the EPC, when read as a whole, lays down a logical structure with the national courts having exclusive jurisdiction over revocation proceedings and the European Patent Office having the task of granting European patents (Article 4). Once granted, the patent becomes a patent of the chosen Contracting State. It is the courts of that Contracting State that have to decide infringement and revocation and any decision of the European Patent Office does not preclude the Courts of the Contracting State from deciding all issues of infringement and revocation.

¹⁰⁵ *Id.*

¹⁰⁶ *Id.*

¹⁰⁷ Sun, *supra* note 26, at 208.

¹⁰⁸ See European Patent Office, Facts and Figures 1998, at 13 (1998), available at http://www.european-patent-office.org/epo/facts_figures.

¹⁰⁹ *Id.* at 9.

¹¹⁰ *Id.*

58,730 patents granted, or 5.3% of the patents granted.¹¹¹ Hence, recent historical data indicates that between four and eight percent of European patents granted are opposed. Of the patents opposed, about thirty-five percent of the patents are revoked, about thirty-five percent of the oppositions are rejected, and about thirty percent of the patents are maintained in amended form.¹¹²

4. Summary

The European system of patent opposition is highly interactive and allows for challenges based on grounds that are not available in United States reexamination proceedings. The proceeding also permits for evidence, including oral proceedings, that goes well beyond just patents and printed publications, which makes the proceeding more akin to litigation than reexamination. Other differences include the limited time frame upon which an invalidity dispute can be raised by a third party, the long time frame needed in resolving a dispute, the uncertainty of the status of the challenged patent during the dispute, and the imposition of additional costs on the parties. The most important distinction with *inter partes* reexamination is the lack of estoppel in subsequent litigation to raise the same issues of law and fact argued in an opposition proceeding. The authors submit that the lack of estoppel is one of the primary factors that accounts for greater utilization of EPO oppositions as compared to United States *inter partes* reexamination; if a similar estoppel provision existed in Europe, a much smaller percentage of European patents would be opposed.

B. Japan's Post-Grant Opposition System

1. History and Purpose

Japanese patent-challenging procedures have undergone significant change over the last ten years. Prior to 1996, Japan had a pre-grant patent opposition system, which was available to a

¹¹¹ *Id.*

¹¹² Sun, *supra* note 26, at 308.

challenger within three months of the date of patent application publication.¹¹³ The pre-grant opposition system was replaced on January 1, 1996 with a post-grant opposition system due to delays in the issuance of a patent subject to pre-grant attack, and perceived harassment on patent applicants.¹¹⁴ The Japanese post-grant opposition system was abolished in 2003, only seven years after its enactment, for the reasons described below. Prior to its abandonment, the pre-grant opposition system was used primarily as corrective measure to rectify mistaken decisions of the JPO in granting a patent, which was a public benefit. All opposition proceedings were conducted within the Japanese Patent Office (“JPO”), which up until April 11, 2000 had exclusive jurisdiction over issues relating to patent validity.¹¹⁵ The Japanese Supreme Court, on April 11, 2000, held that a court can decide issues of patent validity in a patent infringement suit, reversing prior decisions.¹¹⁶ The discussion that follows focuses upon the post-grant opposition system.

2. *Characteristics and Issues*

Under the post-grant opposition system, anyone could file a written opposition with the Director-General of the JPO within six months of the publication date of the issued patent.¹¹⁷ The real party in interest had to be identified in the opposition.¹¹⁸ The third party had to include the grounds upon which the opposition was based along with supporting evidence.¹¹⁹ Grounds for challenging the patent were for the most part consistent with those of

¹¹³ See EPO Patent Information: FAQ About Japan, http://patentinfo.european-patent-office.org/prod_serv/far_east/japan/index.en.php#11 (last visited Apr. 1, 2006).

¹¹⁴ Sun, *supra* note 26, at 296.

¹¹⁵ Mossinghoff, *supra* note 5, at 247.

¹¹⁶ Japanese Patent Law was also amended effective April 1, 2005 to codify the Japanese Supreme Court decision that a Japanese court can decide issues of patent validity in a patent infringement suit. Accordingly, a patentee cannot enforce his/her patent if the patent is regarded as invalid.

¹¹⁷ See Japan Patent Law, Law No. 121, art. 115, (April 13, 1959 as amended by Law No. 220 of Dec. 22, 1999) [hereinafter Japan Patent Law].

¹¹⁸ Sun, *supra* note 26, at 297.

¹¹⁹ See Japan Patent Law, *supra* note 117, at art. 29.

patentability and included lack of novelty, lack of inventive step, lack of industrial applicability, improper claims, and insufficient disclosure.¹²⁰ Incorrect inventorship could not be used as a basis for the opposition.¹²¹

Supporting evidence could include not only prior art patents and printed publications, but also non-documentary prior art including activities demonstrating that the invention was “publicly known” or “publicly worked” in Japan prior to the filing date of the application.¹²² The JPO would then forward the notice of opposition to the patentee, who would have a period of sixty days for a domestic patentee and three months for a foreign patentee to file a written reply.¹²³ The patentee could argue against the grounds and supporting evidence; amend the specification, claims, or drawings; and correct other ambiguities in the patent in the written reply.¹²⁴

If the JPO deemed the opposition to be of merit, the opposition proceeding was then conducted before a collegial body of three Trial Examiners with one examiner designated as the Examiner-in-Chief.¹²⁵ Generally the Trial Examiners issued a decision on the merit of the opposition within four months after the expiration of the six-month opposition period. The opposition proceeding was classified as *ex parte* in nature because it was carried out primarily between the patentee and the JPO, although the challenger had a high level of involvement in terms of the evidence submitted—rendering the protocol somewhat of a hybrid of *ex parte* and *inter partes*.¹²⁶ The trial examiners reexamined the patent considering not only documentary evidence presented, but also testimonial evidence upon motion of a party.¹²⁷ The Japanese Code of Civil

¹²⁰ See Japan Patent Law, *supra* note 117, at arts. 49, 113.

¹²¹ See Japan Patent Law, *supra* note 117, at arts. 49, 113.

¹²² See Japan Patent Law, *supra* note 117, at arts. 29, 136.

¹²³ See Japan Patent Law, *supra* note 117, at arts. 115, 120.

¹²⁴ See Japan Patent Law, *supra* note 117, at art. 120.

¹²⁵ See Japan Patent Law, *supra* note 117, at arts. 117, 138.

¹²⁶ See “Bill for the Amendment of Patent Law and other Industrial Property Law” (2003), http://www.jpo.go.jp/torikumi_e/hiroba_e/hourei_e/amendment.htm [hereinafter Bill for the Amendment of Patent Law].

¹²⁷ See Japan Patent Law, *supra* note 117, at arts. 117, 120.

Procedure governed the examination of witnesses.¹²⁸ The Trial Examiners also had the flexibility to examine not only the opposed claims, but also non-opposed claims if there was a reasonable basis.¹²⁹ The trial examiners then rendered a decision on the opposition based upon all the evidence presented.¹³⁰

The patentee had the right to appeal an unfavorable decision to the Tokyo High Court.¹³¹ In contrast, the challenger had no right of appeal in the case of an unfavorable decision.¹³² In the rather unlikely scenario that the six month time frame for filing an opposition had not already elapsed, the unsuccessful challenger could attempt another opposition, or resort to trial for invalidation as an alternative protocol to challenge the patent once that protocol was enacted.¹³³

One limitation on the post-grant opposition system was the inability of the challenger to appeal an adverse decision.¹³⁴ Another factor often perceived as unfairly favoring the patentee over the challenger was the possibility that the JPO would dismiss the opposition as groundless or meritless without even requiring the patentee to respond to the opposition request.¹³⁵ Another major problem was the possibility of subjecting the patentee to multiple attacks on the same patent. In particular, the possibility of multiple oppositions and the alternative trial for an invalidation system often subjected the patentee to multiple proceedings, which could not be consolidated because of the different procedural systems.¹³⁶ Further, a challenger in a patent opposition proceeding was not estopped from reasserting the same issues in a trial for an invalidity proceeding. Consequently, the settlement of patent validity issues took longer, wasted resources in the duplication of

¹²⁸ See Japan Patent Law, *supra* note 117, at art. 119.

¹²⁹ See Japan Patent Law, *supra* note 117, at arts. 120, 178.

¹³⁰ See Japan Patent Law, *supra* note 117, at art. 114.

¹³¹ See Japan Patent Law, *supra* note 117, at art. 114.

¹³² See Japan Patent Law, *supra* note 117, at art. 114.

¹³³ See Japan Patent Law, *supra* note 117, at art. 114.

¹³⁴ John A. Tessensohn and Shusaku Yamamoto, *Japan: Patents—New Invalidity Appeal System*, E.I.P.R. 2003, 25(10), N154-155, N155 (2003).

¹³⁵ *Id.* at N154-55.

¹³⁶ *Id.* at N154.